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Security Council

Sixty-fifth year

Provisional

6418th meeting

Wednesday, 10 November 2010, 10.50 a.m.

New York

President:	Sir Mark Lyall Grant	(United Kingdom of Great Britain and Northern Ireland)
Members:	Austria	Mr. Mayr-Harting
	Bosnia and Herzegovina	Ms. Čolaković
	Brazil	Mr. Moretti
	China	Mr. Wang Min
	France	Mr. Bonne
	Gabon	Mr. Issoze-Ngondet
	Japan	Mr. Nishida
	Lebanon	Ms. Ziade
	Mexico	Mr. Puente
	Nigeria	Mrs. Ogwu
	Russian Federation	Mr. Dolgov
	Turkey	Ms. Dinç
	Uganda	Mr. Mugoya
	United States of America	Mrs. DiCarlo

Agenda

The situation concerning Iraq

Third progress report of the Secretary-General pursuant to paragraph 3 of resolution 1905 (2009) (S/2010/563)

Note verbale dated 28 October 2010 from the Permanent Mission of Iraq to the United Nations addressed to the President of the Security Council (S/2010/567)

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The meeting was called to order at 10.50 a.m.

Adoption of the agenda

The agenda was adopted.

The situation concerning Iraq

Third progress report of the Secretary-General pursuant to paragraph 3 of resolution 1905 (2009) (S/2010/563)

Note verbale dated 28 October 2010 from the Permanent Mission of Iraq to the United Nations addressed to the President of the Security Council (S/2010/567)

The President: I should like to inform the Council that I have received a letter from the representative of Iraq, in which he requests that the Committee of Financial Experts of Iraq be invited to participate in the consideration of the item on the Council's agenda. In conformity with the usual practice, I propose, with the consent of the Council, to invite Mr. Abdul Basit Turky Saed, head of that Committee, to participate in the consideration of the item, without the right to vote, in accordance with the relevant provisions of the Charter and rule 37 of the Council's provisional rules of procedure.

There being no objection, it is so decided.

At the invitation of the President, Mr. Abdul Basit Turky Saed (Iraq) took a seat at the Council table.

The President: In accordance with the understanding reached in the Council's prior consultations, I shall take it that the Security Council agrees to extend an invitation under rule 39 of its provisional rules of procedure to Mr. Jun Yamazaki, Controller of the United Nations.

There being no objection, it is so decided.

I invite Mr. Yamazaki to take a seat at the Council table.

The Security Council will now begin its consideration of the item on its agenda. The Council is meeting in accordance with the understanding reached in its prior consultations.

I should like to draw the attention of Council members to document S/2010/563, containing the third report of the Secretary-General pursuant to paragraph 3 of resolution 1905 (2009), and document S/2010/567, containing a note verbale dated 28 October 2010 from the Permanent Mission of Iraq to the United Nations addressed to the President of the Security Council and its enclosures.

At this meeting, the Security Council will hear briefings by Mr. Jun Yamazaki and Mr. Abdul Basit Turky Saed.

I now give the floor to Mr. Yamazaki.

Mr. Yamazaki: I thank you, Sir, for the opportunity to apprise the Council on the progress made in strengthening financial and administrative oversight of the current Development Fund for Iraq (DFI), on the legal issues and options to be considered to implement successor arrangements, and on the assessment of the Government of Iraq's progress in preparing for the successor arrangements of the DFI, as presented in the Secretary-General's report (S/2010/563) pursuant to paragraph 3 of Security Council resolution 1905 (2005).

With regard to the activities of the DFI and the International Advisory and Monitoring Board (IAMB), on 14 and 15 October the IAMB held its third meeting of 2010 in Amman, Jordan, to continue its oversight role over the use of resources of the DFI. This was its twenty-ninth meeting since its inception in December 2003. The external audit firm KPMG briefed the IAMB on the final 2009 audit reports.

Separately, the newly appointed external audit firm for 2010, PricewaterhouseCoopers, briefed the IAMB on the results of its work for the period from 1 January to 30 June 2010. At the request of the IAMB, the scope of work for the 2010 interim audit had been expanded to include a review of the installation of oil metering. I note from the report of the Government of Iraq that approximately 51 per cent of the total oil meters targeted under the Ministry of Oil's plan had been installed as of 13 September 2010.

In addition, PricewaterhouseCoopers identified further steps required to fully implement the Ministry of Oil's schedule through the end of 2011. In particular, PricewaterhouseCoopers recommended the appointment of a technically qualified independent party to verify the completeness, effectiveness and efficiency of the implementation plan when fully implemented, based on the best practices of the petroleum industry. I note with concern that the

implementation of the plan is already behind schedule, and I encourage the Government of Iraq to make every effort to implement the metering plan on schedule and address the further steps recommended by PricewaterhouseCoopers.

The Office of the Special Inspector General for Iraq Reconstruction of the United States was invited to the meeting in Amman, and representatives of that Office briefed the IAMB on their recent report of relevance to the DFI. The July 2010 audit report of the Special Inspector General on the accounting by United States Department of Defense for DFI funds concluded that there were weaknesses in the Department of Defense's financial and management controls over the funds it received for reconstruction activities in Iraq. I note that the Special Inspector General's findings echoed those raised by the IAMB between 2004 and 2006. IAMB agreed on the urgent need for the expeditious implementation of the Special Inspector General's recommendations.

At the meeting in Amman, the representative of the Government of Iraq briefed the IAMB on the progress made in achieving the action plan to ensure the timely and effective transition to a post-Development Fund mechanism by 31 December. In this respect, I note that, in its third quarterly report, the Government of Iraq proposes that immunity for Development Fund for Iraq should be extended for a further year. In his report of 1 April 2010 (S/2010/166), the Secretary-General elaborated on the legal issues relating to the privileges and immunities of the Development Fund for Iraq. In light of this, it is for the Council to assess the proposal of the Government of Iraq and its implications.

With regard to the Iraq escrow account, once all outstanding activities under the oil-for-food programme are concluded, and taking into account issues mentioned in the first report of the Secretary-General pursuant to Security Council resolution 1905 (2005) dated 1 April 2010, other uncommitted remaining funds will need to be transferred from the Iraq escrow account to the DFI.

I would like to recall that, on 12 July, in its second briefing to the Security Council (see S/PV.6356), the Government of Iraq, represented by the head of the Committee of Financial Experts, expressed its readiness to pay 26 outstanding letters of credit under the oil-for-food programme. Separately, on 8 September, the Secretariat received confirmation that the Government of Iraq was willing to pay six additional outstanding letters of credit under the oil-for-food programme, resulting in a total of 32 letters of credit to be paid.

At the time of this briefing, the Secretariat has received the requisite confirmations of arrivals relating to most of the 32 letters of credit that the Government of Iraq has decided to pay. Absent the receipt by the Secretariat of the requisite confirmation of arrival documents for the remaining letters of credit outside the 32 I have mentioned, the Security Council has the option to cancel those remaining letters of credit with outstanding claims of delivery subject to the provision by the Government of Iraq of a comprehensive indemnity with regard to all activities of the Organization, its representatives and agents in connection with the oil-for-food programme since its inception.

This completes my briefing on the Secretary-General's report pursuant to paragraph 3 of Security Council resolution 1905 (2005). I will be happy to respond to any questions from members of the Council relating to the report.

The President: I thank Mr. Yamazaki for his briefing.

I now give the floor to Mr. Basit.

Mr. Turky Saed (Iraq) (*spoke in Arabic*): Allow me to thank you, Sir, for the opportunity to address the Security Council. On the basis of its agreement with the members of the Security Council, the Government or Iraq has submitted its third and final quarterly report (see S/2010/567, annex, enclosure) pursuant to paragraph 3 of resolution 1905 (2009), setting out the following activities in implementation of the provisions of that resolution.

First, with respect to the requirements for successor arrangements for the Development Fund for Iraq (DFI), the Central Bank of Iraq has pursued its contacts with the Federal Reserve Board in connection with the special accounts for the deposit of Bank funds and oil revenues pursuant to the letters exchanged between them, with an emphasis on opening a separate compensation sub-account to which 5 per cent — or any percentage to be agreed upon later — of revenues from oil, oil products or natural gas will be

automatically transferred pursuant to resolution 1483 (2003).

Despite the efforts and contacts made with foreign banks and international financial institutions in this regard, the Government of Iraq could not secure the necessary guarantees to protect Iraq's assets at the level of protection provided by the resolution under Chapter VII of the United Nations Charter. In view of the difficult circumstances facing Iraq and the ongoing delay in forming the Government, the Committee of Financial Experts hopes that the Security Council will take into account the efforts of the Government of Iraq to implement the successor arrangements plan when it considers the Government's request to extend the immunities of the DFI for one year in order to enable it to address all outstanding issues.

The Government of Iraq has pursued its contacts with creditor countries outside the Paris Club — in particular Pakistan, Poland, Turkey and Brazil — and called on brotherly and friendly countries to assist it in expediting the settlement of these debts, including those of the Gulf Cooperation Council countries, in the light of the provisions of the Paris Club agreement. The offer of the Government of Iraq to repurchase commercial debt at 10.25 per cent of its total value remains valid. Ernst & Young, the accountancy and auditing firm retained by the Ministry of Finance, continues to follow up this file.

What is obstructing the final resolution of the debt problem are the unknown and unregistered claims. We therefore hope that the Security Council will, in its next resolution, consider setting a deadline for acceptance by the Government of Iraq of the claims of commercial creditors by the end of June 2011. Such a document would closely comply with the provisions of resolution 1905 (2009) and thereby ensure that the Government of Iraq acts in accordance with the regular mechanism for administering Iraqi funds, especially given the fact that this methodology was adopted by the Security Council in accepting compensation claims after the Gulf war in 1990.

With respect to claims inherited from the previous regime, the Governments of Iraq and the United States of America signed an agreement to establish a compensation fund for the claims of United States citizens. The agreement has been ratified by the Iraqi Council of Ministers and referred to Parliament for ratification as well.

The Central Bank of Iraq and the United Nations Controller's Office have settled the outstanding letters of credit under the oil-for-food programme for which documents were provided, and BNP Paribas Bank will be directed to pay the related amounts. In this regard, the Committee of Financial Experts agrees with the reference in the Secretary-General's second quarterly report to the effect that,

> "[a]bsent the receipt by the Secretariat of the requisite confirmations of arrival of the remaining letters of credit, the Security Council may wish to consider cancelling those remaining letters of credit that have outstanding claims of delivery" (*S/2010/359, para. 18*)

to enable the closure of the programme by the end of 2010.

With respect to strengthening financial and administrative control over the DFI, the Government of Iraq has taken the following steps.

Currently, the ministries are working in accordance with valid laws and structural charts. Some have been updated to meet the changes in the nature of their work and are in various stages of referral — either to the Cabinet, the Consultative Council or Parliament — and expected to be approved when Parliament convenes after the formation of the Government.

The Ministry of Finance has prepared valid job descriptions adopted by all ministries. Some have updated their job descriptions to meet the changes in the nature of their activities, pursuant to the Committee's recommendation based on the external auditor's observations, and will be approved upon the formation of a Government.

The committee charged with the selection of the president and members of the management board of the Federal Service Board continues to interview and select from among those who meet the requirements to occupy the aforementioned jobs. There are 29 qualified candidates so far.

As my colleague noted earlier, PricewaterhouseCoopers presented its assessment of the oil-metering system and briefed the International Advisory and Monitoring Board (IAMB) in its meeting in Amman on 14 and 15 October. According to the data presented, good progress was made in general in the installation and calibration of meters in export ports,

while a negative deviation appeared in the internal distribution network. The Committee and the Ministry of Oil are following up the implementation of the plan on a monthly basis, and hope that it will be finalized by the end of 2011, with the exception of the work of the newly established Maisan Oil Company, which will complete installation by late 2012, at which time a briefing on developments and achievements will be given by the IAMB.

Regarding Iraqi funds abroad, the Ministry of Finance has tried to establish a data base of these funds, as it stated in its letter to the Committee of Financial Experts dated 18 October, which included itemizations to a total of €83 million, $118 million, £280,000, ¥664,000, 180 million Swiss francs and 238 million Jordanian dinars, in addition to the requests for their transfer to the DFI pursuant to the relevant resolutions of the Security Council. The final financial statements of the State for 2008 were completed and referred to the Council of Ministers, which in turn was to refer them to the Council of Representatives. The Board of Supreme Audit continues to audit the financial statement for 2009 while it waits to receive the data in its final form before issuing it.

Through ongoing meetings and contacts between the Committee, heads of the audit teams of the Board of Supreme Audit in the concerned ministries, and representatives of those State entities, numerous audit observations were made in external auditors' reports for 2007 and 2008. The observations stated in KPMG's draft report for 2009 were discussed in detail with KPMG's representatives at the latest IAMB meeting in Amman on 14 and 15 October. The IAMB was briefed in the same meeting on the report by PricewaterhouseCoopers on the interim review report on DFI cash flows and payment for the first six months of 2010.

I apologize for the length of my statement, but I have tried to present to the Council all the efforts made by the Government of Iraq to find an acceptable successor arrangement to deal with Iraq's public funds and to serve the interests of the people of Iraq, as provided for in resolution 1483 (2003) and other relevant resolutions.

The President: In accordance with the understanding reached in the Council's prior consultations, I would now like to invite Council members to continue our discussion on the subject in a private meeting.

The meeting rose at 11.10 a.m.